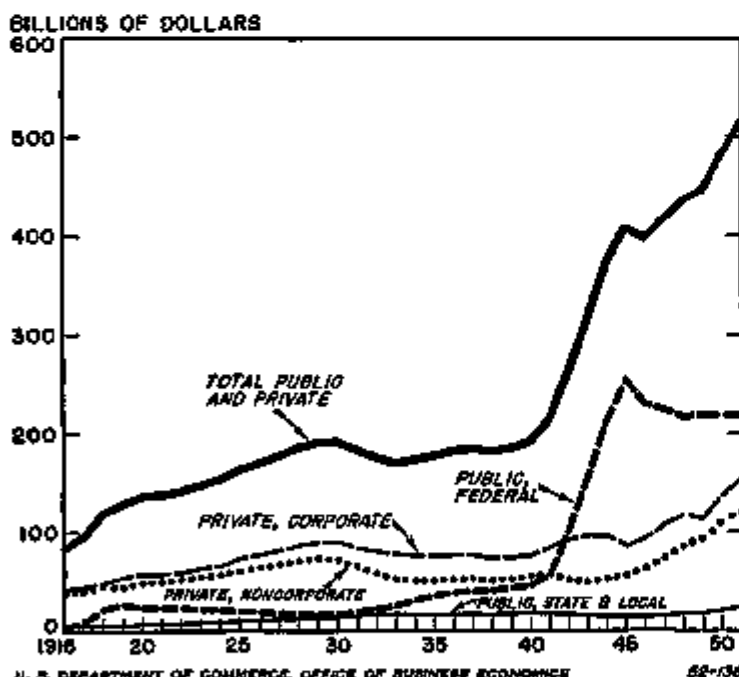


Debt Changes in 1951

A \$33 BILLION rise in net public and private debt during 1951 carried the total to \$519 billion at the end of the year. This increase, both relatively and in absolute amount, was less than in 1950 but larger than in any other nonwar year. Debt expansion centered in the private sector of the economy, accompanying a general growth in economic activity and a record volume of business and individual investment.

Aggregate private indebtedness of \$277 billion on December 31, 1951, was \$31 billion—12 percent—above the total a year earlier. Federal Government net debt remained virtually unchanged for the second successive year, while State and local governments added \$2½ billion to net outstandings.

Increased Private Obligations dominated the Debt change following both world wars

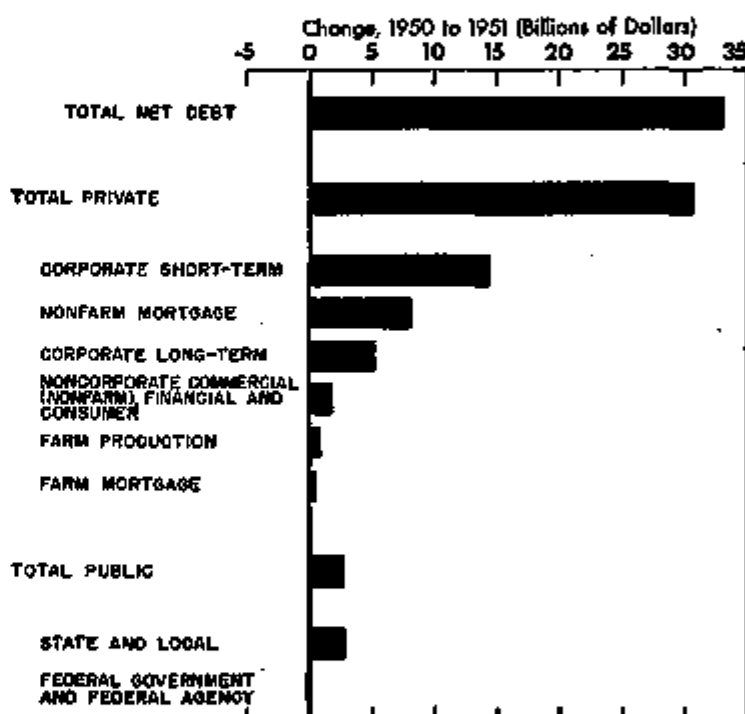


As a result of the substantial growth in private debt, the proportion of total debt represented by private obligations increased to 53 percent at the end of 1951. This compares with 51 percent in 1950 and with the wartime low of 35 percent in 1945.

Complete balance sheet data for the various sectors of the economy would permit more thoroughgoing analysis of the

rapid growth in private debt during 1951. In the absence of such data, information on changes in selected major assets will serve to put changes in indebtedness into better perspective. In comparison with a private debt advance of \$31 billion, individuals and businesses added \$8 billion to their holdings of cash, deposits, and U. S. Government

Corporate Liabilities and Nonfarm Mortgages led Debt Expansion in 1951



securities, and made gross acquisitions of \$58 billion in new homes, plant, productive equipment, and additional business inventories.

There was a general tendency toward higher interest rates on new debt incurred during 1951, although not sufficient to cause an appreciable change in the computed average interest rate on aggregate debt. The effect of rising interest rates on the computed average rate was dampened mainly because obligations carried over from prior years form the major part of debt outstanding. Shifts in the debt structure toward lower- or non-interest-bearing debt, such as the larger proportion of Federal Government debt in shorter-term securities and the increase in business liabilities for Federal income taxes and trade payables, also have been contributing factors. The ratio of gross monetary interest payable to gross public and private debt is roughly half of that effective in 1929. An aggregate debt over 2½ times as large is thus carried by interest payments only one-third larger.

NOTE.—MR. TURNER IS A MEMBER OF THE NATIONAL INCOME DIVISION, OFFICE OF BUSINESS ECONOMICS.

The monetary, credit, price-wage, and material allocation policies in force throughout 1951 were instrumental in limiting the growth of private debt. Important among the restraints on credit extension were the ceilings on real estate and consumer credit under Regulations X and W; the sharply increased margin requirements on stock-collateral loans under Regulations T and U; and the Treasury-Federal Reserve accord which unpegged government security prices and allowed interest rates to rise. The Voluntary Credit Restraints Program, a new instrument of selective credit control participated in by private lending institutions, was another factor in restraining credit expansion.

Relaxation of credit restraints

Improved supplies of critical materials, the scaling down of defense schedules, and softness of consumer spending after the post-Korean buying boom were major factors leading to the relaxation of the mortgage credit controls in September 1951 and June 1952 and to the relaxation of Regulation W in July 1951 and its suspension in May of this year. Authority to continue real estate construction credit was provided by the Defense Production Act Amendments of 1952, but, for residential credit, is made contingent upon the number of new dwelling units started. If the number of units started falls below 100,000 (seasonally adjusted) in three successive months, regulation is effectively discontinued until starts again exceed 100,000 for each of three successive months. The Voluntary Credit Restraints Program was discontinued in June 1952.

Available data indicate that private debt has continued to expand through the first half of this year, but at a lesser rate than in 1951. Despite the impact of the relaxation or suspension of credit controls, it is probable that this will also be true of the year as a whole.

Corporate liabilities again lead debt rise

As pictured in the accompanying chart the \$14½ billion increase in corporate short-term liabilities represented almost

one-half of total private debt expansion in 1951. Most of the remaining increase was accounted for by nonfarm mortgages and long-term corporate debt. The latter component and farm production credit (excluding price support loans) were noteworthy in that they registered relative increases above those recorded in 1950. Most other significant components of private indebtedness showed smaller expansion. Retardation as compared with 1950 was especially marked for consumer debt.

Federal net debt remains stable

At the end of December 1951, and for the third successive year, Federal Government and agency net debt totaled \$219 billion. The \$4 billion expansion in gross Federal debt was accounted for by increased holdings of Federal debt within the Government (mainly special issues held by Federal agencies and trust accounts).

While the amount of Federal securities held by the public did not change materially during 1950 and 1951, the rapidly rising volume of private debt financing influenced the market for Federal securities and the composition of the Federal debt. The upsurge in private demand for funds led to a substantial liquidation of Federal security holdings in institutional investment accounts during 1950 and early 1951 and to a diminished demand for new issues of long-term governments.

The bulk of new security offerings by the Treasury in 1950, 1951, and the first six months of 1952 consisted of short-term issues designed to draw off the liquid funds accumulated by banks, corporations and others. The proportion of Federal debt in short-term securities has thus risen. In this manner the tendency toward a mounting average effective interest rate on the public debt has been dampened.

State and local government debt expands

In continuation of the postwar uptrend, the \$2½ billion increase in State and local government net debt in fiscal year

Tables 1 and 2.—Public and Private Debt (Net and Gross), End of Calendar Year, 1945-51¹
(Billions of dollars)

End of year	Public and private, total	Public			Private								
		Total	Federal	State and local	Total	Corporate			Individual and noncorporate				
						Total	Long-term	Short-term	Total	Mortgages		Nonmortgages	
										Farm	Nonfarm ²	Farm ³	Nonfarm ³

Table 1.—Net Public and Private Debt													
1944.....	407.3	250.5	202.7	13.7	140.8	85.3	38.3	47.0	55.5	4.7	27.0	2.5	20.5
1945.....	398.6	214.3	220.7	13.0	155.5	92.5	41.3	52.2	62.0	4.8	33.0	2.8	20.9
1946.....	416.5	237.7	233.3	14.4	181.6	103.9	46.1	57.8	72.9	4.9	40.1	3.3	24.4
1947.....	435.3	252.7	218.5	10.2	202.6	117.9	52.5	65.3	84.8	5.1	46.0	5.5	27.7
1948.....	445.7	255.7	218.6	19.1	210.0	116.5	58.5	58.3	94.2	5.4	51.0	5.4	30.5
1949.....	485.8	280.4	218.7	22.7	240.4	130.4	60.8	70.0	130.0	5.8	61.1	6.1	30.9
1950.....	519.2	242.0	218.7	23.3	277.2	153.8	64.8	91.0	121.4	6.3	60.5	7.0	35.7

Table 2.—Gross Public and Private Debt													
1945.....	454.2	309.2	292.0	18.6	155.0	98.5	45.3	54.2	55.5	4.7	27.0	2.8	20.5
1946.....	458.4	288.1	272.1	15.8	171.3	109.3	48.4	60.9	62.0	4.8	33.0	2.8	20.9
1947.....	487.7	285.0	203.8	18.8	201.1	123.2	55.0	73.2	72.9	4.9	40.1	3.5	24.4
1948.....	508.2	276.7	258.0	18.7	253.5	133.7	62.8	75.9	84.8	5.1	46.0	5.5	27.7
1949.....	518.0	287.0	280.1	20.9	231.0	136.8	67.7	69.1	94.2	5.4	51.0	5.4	30.5
1950.....	551.1	280.6	205.4	24.2	270.5	160.5	71.7	88.8	110.0	5.8	61.1	6.1	30.9
1951.....	601.6	297.4	270.8	27.0	304.9	182.5	77.8	105.0	121.4	6.3	60.5	7.0	35.7

¹ Data for State and local governments are for June 30 of each year. Components will not necessarily add to totals because of rounding.

² Data are for noncorporate borrowers only. (See table 6.)

³ Comprises non-real-estate farm debt contracted for productive purposes and owed to institutional lenders (includes C. C. C. loans.)

¹ Comprises debt incurred for commercial (nonfarm), financial and consumer purposes, including debt owed by farmers for financial and consumer purposes.

Sources: U. S. Department of Agriculture, Bureau of Agricultural Economics; U. S. Department of Commerce, Bureau of the Census and Office of Business Economics.

1951 advanced State indebtedness almost one-fourth and carried local government debt one-tenth above 1950 levels.

Although State government revenues increased more than did expenditures in fiscal year 1951, about two-thirds of the States incurred deficits. Long-deferred capital expenditure programs and increased aid to local governments necessitated debt additions of nearly \$1 billion during the year.

Every level of local government contributed to the debt rise of over \$1½ billion in 1951. School districts led the expansion for the fifth successive year, adding 20 percent to their outstanding obligations. Increasing school population has overtaxed present classroom facilities in most localities

and necessitated heavy investment in construction programs at a time when costs have undergone a sharp rise. County debt rose 10 percent in 1951, indebtedness of cities and townships was up 8 percent and special district debt increased 7 percent.

In order to increase the revenues of local governments, States have granted local units the authority to levy additional or higher taxes and have authorized new tax bases and licensing powers. Local government participation in certain State taxes has also been expanded and new tax revenues earmarked for local use. Legal debt limits have been raised in a few instances.

Table 3.—Gross and Net Federal Government Debt, End of Calendar Year, 1945-51

(Millions of dollars)

End of year	Gross debt							Dupliating debt							Net debt		
	Federal Government and Federal agency, total	Federal Government					Federal agency ¹	Federal Government and Federal agency, total	Federal Government securities held by Federal agencies and trust funds	Federal agency securities ²				Federal Government and Federal agency, total	Federal Government	Federal agency	
		Total	Interest bearing			Non-interest bearing ¹				Total	Held by U. S. Treasury	Held in Federal trust funds	Held by other Federal agencies				
			Total	Public issues	Special issues												
1945.....	202,500	278,114	275,803	252,893	20,900	3,421	14,485	20,867	27,041	12,818	11,775	(*)	1,041	232,742	251,023	1,660	
1946.....	273,147	350,140	347,040	323,064	24,886	1,300	12,008	42,369	30,013	11,498	10,808	(*)	702	229,740	229,236	1,513	
1947.....	262,733	350,000	354,255	328,250	26,085	2,085	12,883	40,438	34,362	12,053	11,840	(*)	243	222,318	222,518	770	
1948.....	267,004	362,800	350,590	318,558	31,714	2,220	6,194	41,810	37,317	4,193	3,553	(*)	280	216,484	215,483	1,001	
1949.....	266,067	357,130	355,019	321,123	33,890	2,111	8,087	47,893	39,340	8,137	7,304	(*)	833	218,694	217,784	900	
1950.....	264,415	360,708	354,282	320,570	33,707	2,425	9,707	47,713	39,167	8,516	8,470	(*)	45	218,708	217,511	1,191	
1951.....	270,241	359,410	357,070	321,108	35,062	2,349	10,002	51,078	42,281	9,387	8,331	(*)	65	219,083	217,138	1,945	
1952 (June 30).....	(*)	360,105	350,893	310,124	37,758	2,242	(*)	(*)	44,335	(*)	8,636	(*)	(*)	(*)	214,770	(*)	

¹ Includes matured debt on which interest has ceased.

² Bonds, debentures, and notes payable, including securities held by the U. S. Treasury.

³ Bonds, debentures, and notes payable.

⁴ Less than \$500,000.

⁵ Not available.

Source: U. S. Treasury Department.

New State and local government debt was limited to some extent in 1951 by the action of Voluntary Credit Restraint Committees and Federal Government allocations of critical materials. State and local flotations came under the review of such Committees and were approved or disapproved on the basis of the inflationary potential and defense needs. Most governmental authorities cooperated despite a reluctance to abandon even temporarily much needed capital improvements. Restrictions placed on critical materials also curtailed planned capital outlays, particularly in connection with highway maintenance and development. Committee review of State and local government projects was discontinued at the end of March 1952.

Corporate debt increase

Corporate investment in plant and equipment expanded steadily through 1951. Outlays were \$22 billion for the year as a whole and were scheduled to increase somewhat in 1952. Inventories at book value rose \$10 billion in 1951 but the rate of growth declined in the second half of the year, and a small reduction occurred in the first half of 1952.

The Federal Government encouraged defense-connected investment through accelerated amortization for tax purposes and through the guarantee of loans for working capital purposes by the interested Government procurement agencies.

Table 4.—Gross and Net State and Local Government Debt, June 30, 1945-51

(Millions of dollars)

End of fiscal year	Gross debt							Duplicating debt						Net debt			
	State and local, total ¹	State	Local					State and local, total	State			Local			State and local, total	State	Local
			Total	County	City and township	School district	Special district		Total	Sinking funds	Trust, etc., funds	Total	Sinking funds	Trust, etc., funds			
1945.....	18,480	2,427	14,144	1,345	8,580	1,383	2,007	2,984	1,040	175	871	1,815	980	858	13,725	1,370	12,345
1946.....	15,022	3,358	13,664	1,417	8,207	1,283	2,697	2,348	754	141	613	1,505	800	720	13,573	1,004	12,569
1947.....	18,825	2,072	16,753	1,482	8,375	1,343	2,730	2,428	801	144	656	1,624	800	704	14,397	2,174	12,223
1948.....	18,702	3,723	14,979	1,408	9,135	1,500	2,977	2,478	863	164	697	1,625	847	773	16,226	2,871	13,355
1949.....	20,876	4,024	16,851	1,003	9,908	2,147	3,285	2,725	1,070	181	819	1,790	868	888	18,140	3,064	15,075
1950.....	24,101	5,304	18,797	1,707	11,347	2,710	3,100	2,468	1,308	(*)	(*)	2,070	185	1,085	20,723	3,003	17,720
1951.....	27,040	6,372	20,668	1,875	12,133	3,287	3,403	2,683	1,482	(*)	(*)	2,211	(*)	(*)	23,347	4,804	18,543

¹ Includes State loans to local units.

² Comprises State and local government securities held by State and local governments.

³ Data for 1950 and 1951 are not strictly comparable with 1945 and earlier years. (See "Governmental debt in 1951," Bureau of the Census, December 1951.)

⁴ Not available.

Source: U. S. Department of Commerce, Bureau of the Census and Office of Business Economics.

Table 5.—Gross and Net Corporate Debt, End of Calendar Year, 1945-51

(Millions of dollars)															
End of year	All corporations					Railway corporations					Nonrailway corporations				
	Total	Long-term ¹	Short-term ¹			Total	Long-term ¹	Short-term ¹			Total	Long-term ¹	Short-term ¹		
			Total	Notes and accounts payable	Other			Total	Notes and accounts payable	Other			Total	Notes and accounts payable	Other
Gross Corporate Debt															
1945	95,823	45,821	54,202	25,718	28,484	15,411	11,874	3,537	881	2,050	84,115	33,447	50,066	21,837	28,228
1946	109,202	48,436	60,857	31,007	29,850	13,714	10,877	2,937	709	2,038	95,576	37,568	58,020	30,888	27,132
1947	128,187	64,085	73,100	37,076	36,024	14,173	11,300	3,004	904	2,100	113,984	43,819	70,165	36,772	33,393
1948	135,738	62,808	76,090	39,949	36,141	13,008	11,124	2,874	872	1,000	124,733	51,084	73,650	38,477	35,175
1949	130,822	67,720	63,102	35,833	27,269	13,710	11,244	2,466	760	1,007	123,113	58,478	64,635	31,864	32,771
1950	160,005	71,007	88,998	44,407	44,591	14,280	11,264	3,016	916	2,104	146,236	69,433	86,803	43,492	43,311
1951	182,807	77,805	105,002	52,518	52,484	14,813	11,654	3,160	1,011	2,178	167,904	80,151	105,813	51,507	54,306
Duplicating Corporate Debt															
1945	14,231	5,000	7,232	4,781	2,451	1,485	1,008	380	124	202	12,746	5,000	7,746	4,140	3,706
1946	15,784	7,002	8,782	5,286	3,496	1,807	1,407	340	111	220	14,347	6,025	8,322	5,145	3,177
1947	19,375	8,932	10,443	6,327	4,116	1,999	1,172	327	125	204	17,776	7,790	10,046	6,121	3,925
1948	20,076	10,322	10,054	6,436	3,618	1,990	1,235	281	121	170	19,479	9,117	10,362	6,414	3,958
1949	21,022	11,155	9,867	5,910	3,957	1,958	1,224	262	107	165	19,537	9,982	9,555	5,812	3,725
1950	26,080	11,850	14,230	7,201	7,029	1,961	1,200	285	127	103	22,828	10,040	12,788	7,807	4,981
1951	27,002	12,981	14,021	8,003	5,998	1,020	1,312	317	140	177	25,373	11,669	13,704	8,623	5,181
Net Corporate Debt															
1945	85,202	38,322	46,870	21,454	25,416	12,926	10,775	3,151	757	2,394	71,300	27,547	43,753	20,697	23,122
1946	93,538	41,313	52,225	25,721	26,504	11,907	10,410	2,497	685	1,800	82,631	30,033	52,600	24,723	27,877
1947	108,852	46,080	62,772	31,428	31,344	12,674	10,167	2,517	778	1,800	98,268	30,080	68,188	30,631	37,557
1948	117,783	47,988	69,795	32,514	37,281	12,490	10,010	2,480	761	1,829	105,201	32,547	72,654	31,063	41,591
1949	116,790	50,524	66,266	29,714	36,552	12,224	10,020	2,204	662	1,542	103,675	48,514	55,161	29,032	26,129
1950	136,417	59,711	76,706	37,113	39,593	13,710	10,008	2,721	785	1,933	123,006	59,772	73,235	36,325	36,910
1951	154,805	64,824	90,081	43,803	46,278	13,214	10,342	2,872	871	2,001	142,504	64,482	88,020	42,934	45,124

¹ Long-term debt is defined as having an original maturity of 1 year or more from date of issue; short-term debt as having an original maturity of less than 1 year.

Sources: U. S. Treasury Department, Bureau of Internal Revenue; Interstate Commerce Commission; U. S. Department of Commerce, Office of Business Economics.

The record volume of investment in fixed and working capital during 1951 was accompanied by large-scale external borrowing. A \$19½ billion expansion carried net corporate indebtedness to \$156 billion at the end of 1951, 14 percent above the 1950 level. This advance was only slightly below that of 1950 and well above that registered in any prior year.

A substantial part of the 1951 expansion of \$5 billion in net corporate long-term debt was in the form of bonded indebtedness. Over \$5½ billion in bonds were offered during 1951 to raise new capital and for refinancing purposes, the largest amount floated since 1948. Bond offerings of \$2.3 billion in the manufacturing sector were 2½ times offerings in 1950 and communications industry flotations were up one-half. Electric and gas utility offerings were down slightly and the remaining industry sectors made smaller offerings than in 1950.

Corporate short-term debt expanded one-fifth in 1951, reaching \$91 billion at the year's end. Notes and accounts payable were up nearly \$7 billion, with half this expansion accounted for by short-term bank loans. Increased Federal income tax liabilities were the main factor in the 19 percent rise in other short-term liabilities.

Despite these large additions to debt in the past two years, the financial position of corporations in the aggregate is relatively favorable. Liquidity indexes such as the ratio of cash and U. S. Government securities to sales or to current liabilities fell off in 1950 and 1951, but remained above prewar levels. The major internal sources of funds for business investment—retained profits and depreciation reserves—were higher than in other postwar years except 1948 and 1950.

Nonfarm mortgage debt continues upward

Nonfarm mortgage debt rose 14 percent during 1951; at the end of the year a total of almost \$70 billion was outstand-

ing against noncorporate borrowers. The postwar rise in mortgage debt was thus continued, but at less than the 1950 rate of increase. Four-fifths of the \$8½ billion advance in 1951 occurred in residential one- to four-family mortgages.

Housing construction activity was intensive into the early months of 1951, primarily the result of heavy pre-Regulation X commitments outstanding at the end of 1950 and work progression on the large number of new housing units which had been started in anticipation of such regulation. As the year progressed, the impact of credit and material restrictions was felt in the real estate market. New residential construction activity on a seasonally adjusted basis declined 17 percent from January to December.

Total mortgage portfolio holdings of major institutional lenders expanded 15 percent in 1951, in comparison with an increase of 21 percent in 1950. In recent years life insurance companies have been the most important source of mortgage credit. Their mortgage holdings expanded one-fifth, as net additions for the second successive year exceeded \$3 billion. Savings and loan associations added \$1.8 billion to mortgage portfolios in 1951, mutual banks \$1.7 billion, and commercial banks \$1.0 billion. In each case the percentage increase was less than in 1950, and for savings and loan associations and commercial banks, the dollar increase was less also.

Farm debt continues postwar climb

Total farm debt amounted to \$13.3 billion at the end of 1951, mounting 11 percent during the year. Two-thirds of the rise occurred in farm production loans and one-third in farm mortgage debt. As in other postwar years, the farm debt rise was attributable to increased costs of farm operation and heavy purchases at higher prices of farms, livestock, motor vehicles, and materials and equipment for farm improvement.

The postwar expansion in farm mortgage debt continued through 1951, outstanding indebtedness increasing 8 percent to total \$6.3 billion at the end of the year. A major factor in the advance was the increased size of new borrowings—the average size of farm mortgage recordings rose from \$4,700 in 1950 to \$5,350 in 1951. The debt rise slowed after the first half of 1951, with the number and dollar amount of mortgage recordings down from 1950 levels in the last 6 months of the year. The farm mortgage market tightened generally in 1951.

A total of \$7 billion in production credit was outstanding against farmers and farmers' cooperatives at the close of 1951. This series measures the credit extended to farmers and farm cooperatives by commercial banks and Federally sponsored farm agencies, and includes price support loans made or guaranteed by the Commodity Credit Corporation.

Price support loans dropped \$150 million in 1951, a reflection of higher crop prices. Excluding price support loans, farm production credit expanded from \$5.2 billion in 1950 to \$6.2 billion at the end of 1951—a rise of one-fifth.

Table 6.—Nonfarm Mortgage Debt by Borrowing and Lending Groups, by Type of Property, End of Calendar Year, 1945-51¹

(Millions of dollars)

End of year	Residential and commercial			1-4 family residential							Multifamily residential and commercial				
	Total	Corporate borrowers ²	Noncorporate borrowers	Total	Savings and loan associations	Life insurance carriers	Mutual savings banks	Commercial banks	BOLO	Individuals and others	Total	Life insurance carriers	Mutual savings banks	Commercial banks	Individuals and others
1945	31,084	3,830	27,254	19,553	5,376	2,258	1,894	2,875	852	8,400	12,061	3,692	2,306	1,378	4,745
1946	37,974	4,422	33,552	24,462	7,140	2,570	2,033	4,573	934	7,000	13,522	3,700	2,390	1,909	5,323
1947	43,248	5,135	38,113	29,890	8,556	3,480	2,237	6,282	486	8,590	15,368	4,321	2,601	2,331	6,125
1948	52,419	6,847	45,572	36,131	10,305	4,026	2,742	7,380	309	8,410	17,288	4,918	3,031	2,699	6,700
1949	58,379	8,515	49,864	39,108	11,816	4,970	3,190	7,041	231	10,100	19,271	5,708	3,478	2,705	7,200
1950	65,515	7,453	58,062	46,041	13,725	5,202	4,850	9,404	10	11,500	21,677	6,378	4,385	2,231	7,000
1951 ³	77,745	8,327	69,418	54,017	15,515	10,314	5,435	10,380	12,790	23,775	7,169	4,231	3,373	8,000

¹ Preliminary.

² The data represent mortgage loans on commercial and residential property, and exclude real estate mortgage bonds. Multifamily and commercial property mortgages owned by corporations and held by other nonfinancial corporations are also excluded.

³ The corporate mortgage debt total is included in the total corporate long-term debt outstanding, table 5.

Sources: Federal Savings and Loan Insurance Corporation; U. S. Department of Commerce, Office of Business Economics.

The increase in total farm debt during 1951 was accompanied by a proportionate increase in farm assets. Farmers' liquidity, in terms of the relationship of cash, deposits and United States savings bonds to production debt, remained at a ratio of about 4½ to 1. Forced mortgage liquidations by foreclosures or involuntary sale were again few and no widespread difficulties in repayment of production debt were reported.

Noncorporate commercial debt increases

Noncorporate commercial debt rose 14 percent in 1951—about one-half the rate of increase recorded in 1950. Amounting to \$11.3 billion at the close of 1951, this debt category

represents bank commercial and industrial loans to noncorporate businesses, overdrafts, and loans to institutional borrowers. The dampened expansion in 1951 was primarily the reflection of smaller additions to inventory holdings and the impact of restrictive credit policies.

Security loans down

Loans to purchase or carry securities contracted during 1951, amounted to \$4.1 billion at the close of the year. A 9 percent decline under buoyant market conditions was largely due to the stiffened margin requirements in force for most of the year.

Loans by banks on stock collateral and extension of credit

Table 7.—Individual and Noncorporate Debt, End of Calendar Year, 1945-51

(Millions of dollars)

End of year	Farm and nonfarm total	Farm			Total non-farm	Nonfarm						
		Total farm	Farm mortgage ¹	Farm production loans ²		Nonfarm mortgage			Other			
						Total	1-4 family	Multi-family and commercial	Total	Commercial (non-farm)	Financial ³	Consumer
1945	55,802	7,172	4,082	2,400	48,330	27,854	18,070	9,184	20,478	4,437	10,413	5,627
1946	61,956	7,752	4,777	2,755	54,460	33,662	23,229	10,323	20,511	5,273	11,552	4,877
1947	72,591	8,425	4,882	3,540	64,163	40,118	28,381	11,737	26,330	6,037	14,303	8,177
1948	84,541	10,613	5,106	5,506	74,223	46,572	33,374	13,198	31,438	7,832	16,945	11,098
1949	94,269	11,500	5,407	6,440	82,340	51,084	37,153	14,711	38,488	8,352	18,026	20,535
1950	109,328	11,077	5,526	5,140	97,051	61,040	44,604	16,472	38,913	9,322	19,723	20,676
1951	121,333	13,297	6,300	6,007	108,125	69,938	51,310	18,152	39,600	11,201	20,676	20,676

¹ Includes regular mortgages, purchase-money mortgages, and sales contracts.

² Includes agricultural loans to farmers and farmers' cooperatives by institutional lenders; farmers' financial and consumer debt is included under the "nonfarm" categories.

³ Comprises debt owed to banks for purchasing or carrying securities, customers' debt to brokers, and debt owed to life insurance companies by policyholders.

Sources: U. S. Department of Agriculture, Bureau of Agricultural Economics; Board of Governors of the Federal Reserve System; U. S. Department of Commerce, Office of Business Economics.

by brokers and dealers are controlled by the Board of Governors of the Federal Reserve System under Regulations U and T. A margin requirement of 50 percent was in force throughout 1950, but was raised to 75 percent in January 1951.

The amount of policy and collateral loans by insurance companies is classified under financial debt in table 7. These loans totaled \$2.6 billion at the end of 1951, 7 percent above outstandings of \$2.4 billion at the beginning of the year. This growth in net borrowings reflected the long-run increase in the ownership of life insurance policies and expanded cash values accumulated back of these policies. The ratio of policy loans to reserves held at 4 percent from 1946 through 1951 and may be compared with 17 percent in the early 1930's.

Consumer debt edges upward

Consumer debt was held to a 3 percent rise in 1951, the total reaching \$20.6 billion at the end of December. A major factor limiting the rise in consumer credit in 1951 was the slackening of the post-Korean buying wave for durable goods after the first quarter of the year. Control of installment credit by the Board of Governors of the Federal Reserve System under Regulation W was in effect throughout the year, although it was softened in July 1951. The moderate increase in consumer credit was in marked contrast to the one-fifth rise which occurred in 1950.

The bulk of the 1951 consumer debt rise was centered in the noninstallment debt sector, where an aggregate 7 percent

expansion stemmed from an 8 percent rise in single payment loan and charge account debt and a 4 percent advance in service credit. Installment debt gained fractionally, a 7 percent rise in installment loans being largely offset by a 5 percent decline in installment sales credit. There was a marked shift toward longer maturities and smaller down-payments in the installment sales field following easing of the regulation in July 1951, but no marked advance in outstanding credit.

Regulation W was suspended in May of this year. On June 30, 1952, consumer credit amounted to \$21 billion, \$300 million above the total six months earlier, but \$1.2 billion above the April 1952 total. This sharp rise was centered in installment credit.

Technical Note

The concepts employed in this study were fully discussed in the article published in the October 1950 issue of the Survey, page 12. The adjustments for duplication are self-explanatory in tables 2 and 4; duplicating corporate debt (table 2) is confined to debt owed to other members of an affiliated system. The reader is also referred to the same source for estimates for years prior to 1949.

Estimates for 1949 through 1949 as published in the October 1950 issue have been revised because of revisions in the Federal Savings and Loan Insurance Corporation series for mortgage debt on 1-to-4-family residential homes and in the Federal Reserve Board series for consumer credit outstanding. Neither of these revisions, which run back to 1929 in each instance, have been incorporated in the present series prior to the year 1945. In the case of the F. S. L. I. C. revision, the effect upon the debt components in tables 1 and 2 is negligible; in the case of the F. R. B. revision, only a matter of classification in table 7 is involved (single-payment loans of over \$1,000 by commercial banks have been excluded from consumer credit and added to unincorporated financial and commercial debt).

State and local government debt for 1950 and 1951 are not strictly comparable with 1949 and earlier years because of Bureau of the Census classification changes, particularly with respect to cities and special districts. (See "Governmental debt in 1951," Bureau of the Census, December 1951.) Other revisions for recent years have resulted from the incorporation of additional basic data.

American Foreign Investments in 1951 and 1952

(Continued from page 9)

facturing investments in Europe were also steadily maintained, largely as reinvested earnings. In the first half of 1952 there was a greatly increased capital outflow to countries in the Middle East, Africa, and the Far East. In some cases this may have reflected temporary factors, such as tax payments, but in others there are prospects for sustained outflows, given reasonably favorable conditions abroad.

Portfolio investments maintained

Portfolio investments in 1951 and the first half of 1952 continued at an annual rate of about \$350 million. This was less than the 1950 rate, which included a large loan to France the proceeds of which were held in the United States by the French Government as monetary reserves, so that there was no real capital flow to France. Most of the remainder of the 1950 outflow consisted of purchases of bonds payable in Canadian dollars, with the expectation that the Canadian dollar would appreciate, yielding a speculative profit. In 1951, however, Canadian municipalities and

provinces sold \$290 million of new bonds denominated in United States dollars to carry out numerous public projects and United States investors purchased about \$150 million of International Bank bonds. On the other hand, there was some liquidation in 1951 of the Canadian bonds purchased in 1950.

Portfolio investments in the first half of 1952 were lower than in the same period of 1951, but the demand for Canadian issues of stocks and dollar bonds and for the bonds of the International Bank and Israel remained active. There were also long-term bank credits of about \$50 million, consisting primarily of commercial bank participations in a loan to Belgium negotiated by the Export-Import Bank.

Some financing of foreign trade which is undertaken on a short-term basis by banks and exporters takes on a long-term aspect when repayments are blocked. Thus, short-term claims on all foreigners, i. e., claims with an original maturity of less than one year, increased by \$131 million net in 1951 and the first half of 1952, but claims on Brazil alone increased by \$293 million in that period.